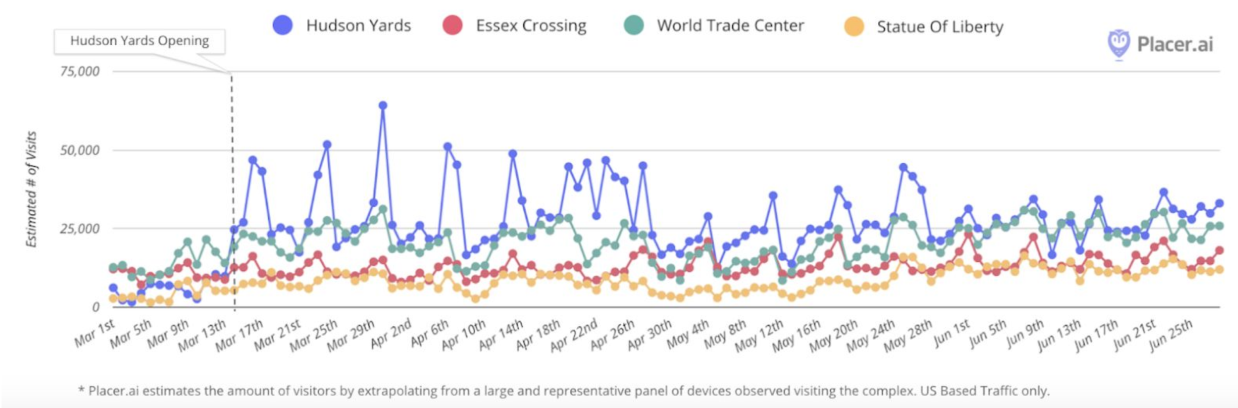
5 Trends That Will Define 2020

Every year there are new trends that rise that will not only impact a number of brands or companies, but an entire sector. 2019 was no different, with huge breakthroughs coming across the Retail and Commercial Real Estate landscape.

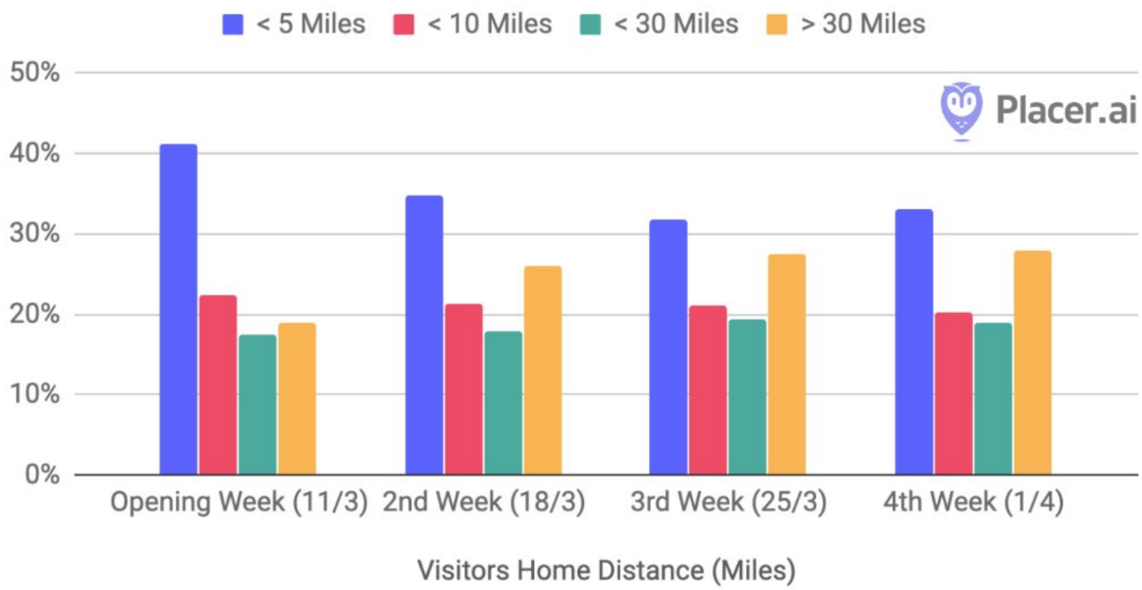
We decided to look back at the year, and highlight some of the most important trends that defined 2019 and could have a critical impact in 2020.

The Rise of the Mega Project

When Hudson Yards opened at long last, there was a tangible excitement that translated quickly into high levels of visits with the site quickly becoming a new 'must visit' in a crowded NYC environment. The location rapidly rose to and above the ranks of other tourist hot spots attracting tens of thousands of visitors each day with major peaks on weekends.

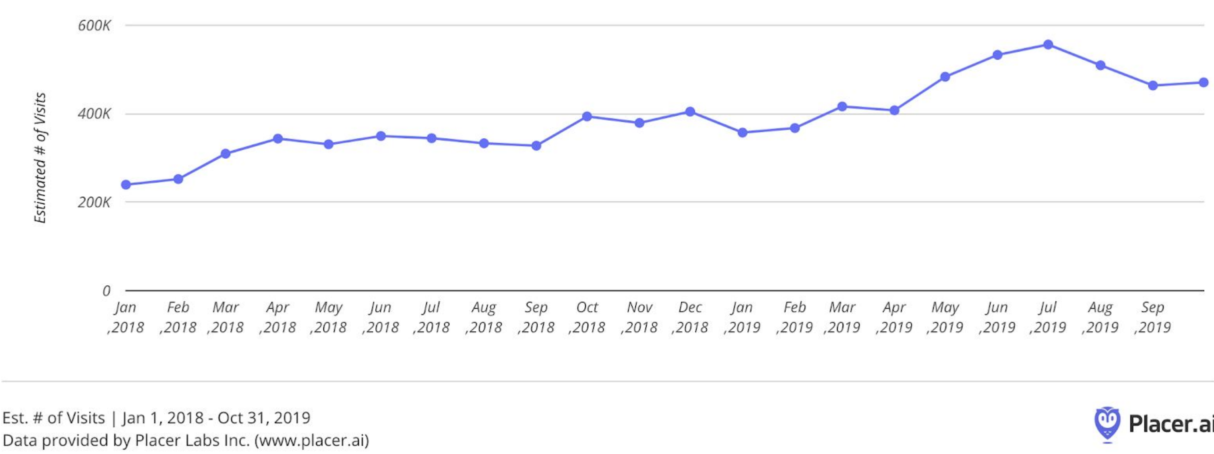


Yet, even more exciting was that the initial buzz continued into the summer, where the site was increasingly attracting visitors from greater distances. A sign of a location that not only effectively serves a local audience, but can justify visits from tourists and consumers with time to spend.

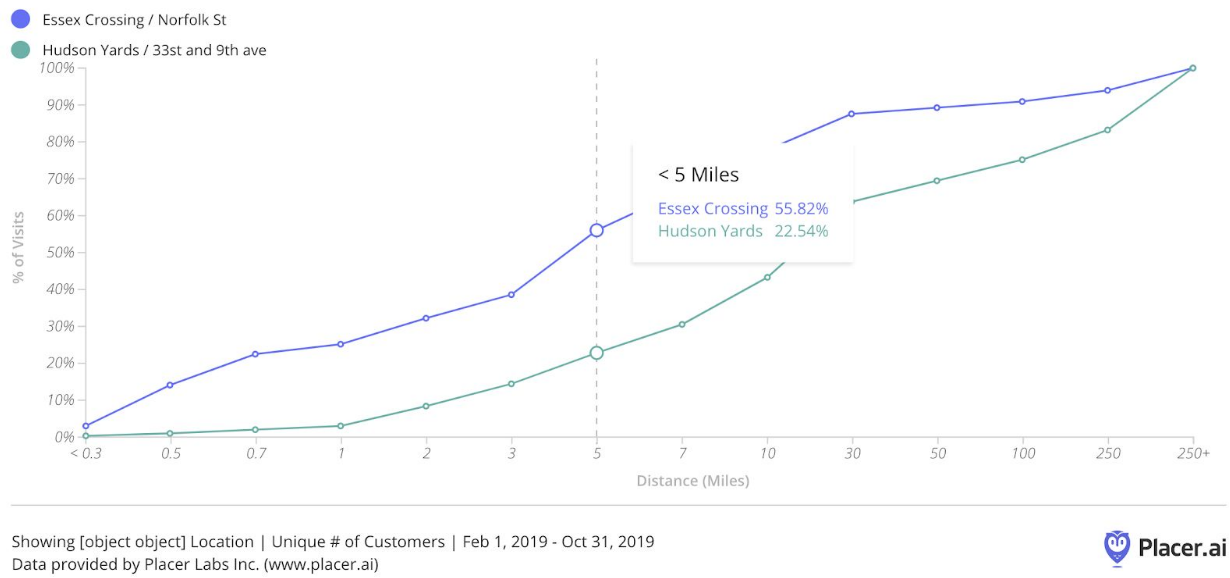


While the continued development of the site will likely have a growing effect on lower Manhattan, the benefit of this immediate impact goes far beyond the single project. The success of Hudson Yards and other major projects has shone a light on the power and potential of Mega Projects, and Hudson Yards wasn't the only one to shine in 2019.

Essex Crossing, on the Lower East Side of Manhattan, was intended to blend seamlessly into the neighborhood while providing a [local hotspot for food and shopping](). And to this point, the project has [lived up to the promise](). Traffic has been on the rise since its launch, with the entry of a Target and Trader Joe's providing an added boost in late 2018.



Amazingly, over 50% of visitors come from within a 5-mile radius demonstrating the immense value that will come with continued openings of more stores and more residential buildings within the project. The success of these two projects show a potential model that can be utilized and replicated elsewhere. While Hudson Yards has a strong tourist appeal that benefits greatly from its New York address, Essex Crossing proves that attempts to maximize local value can bring returns.



The Boston Seaport is another major east coast project also coming off of a banner year where visits [sustained the strong levels set in 2018](). This location used a holistic approach that emphasized a variety of tenant types, experiential retail, and new-to-offline retailers like [Warby Parker]() to create an exciting, more immersive visit. As a result, they saw a huge True Trade Area that regularly drew visitors from long distances.

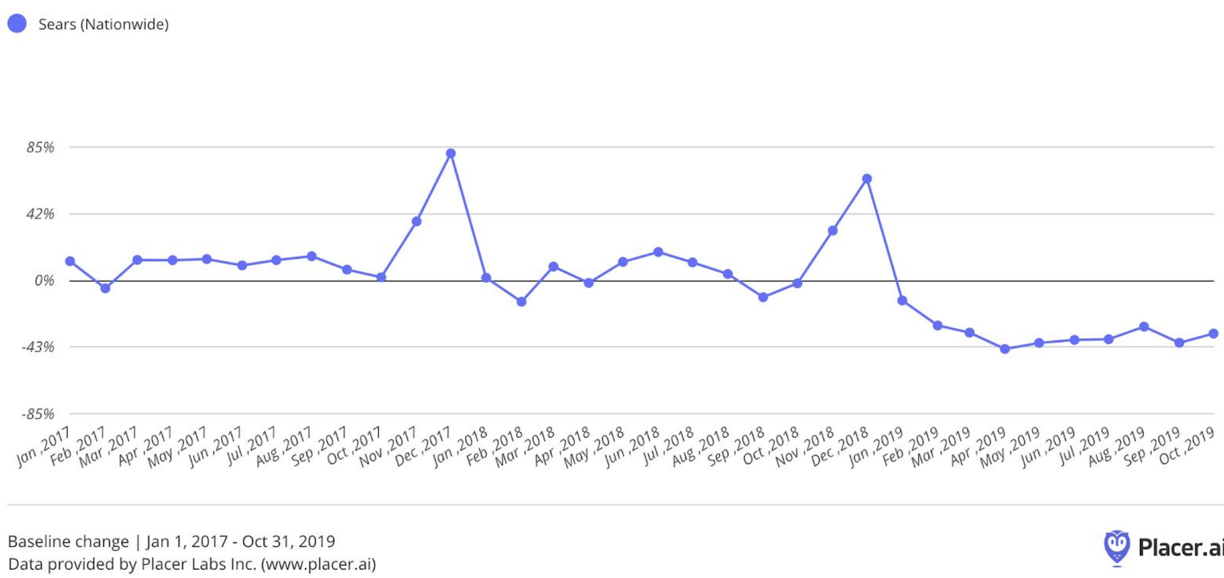
The success of three different types of mega-projects all leveraging different types of strategies is a welcome sign for those who believe in the potential of Mega Projects. With the initial boom still being felt, expect 2020 to bring about a variety of new projects and openings to recreate this magic across the country.

Store Closures - Retail Apocalypse Vs. Correction

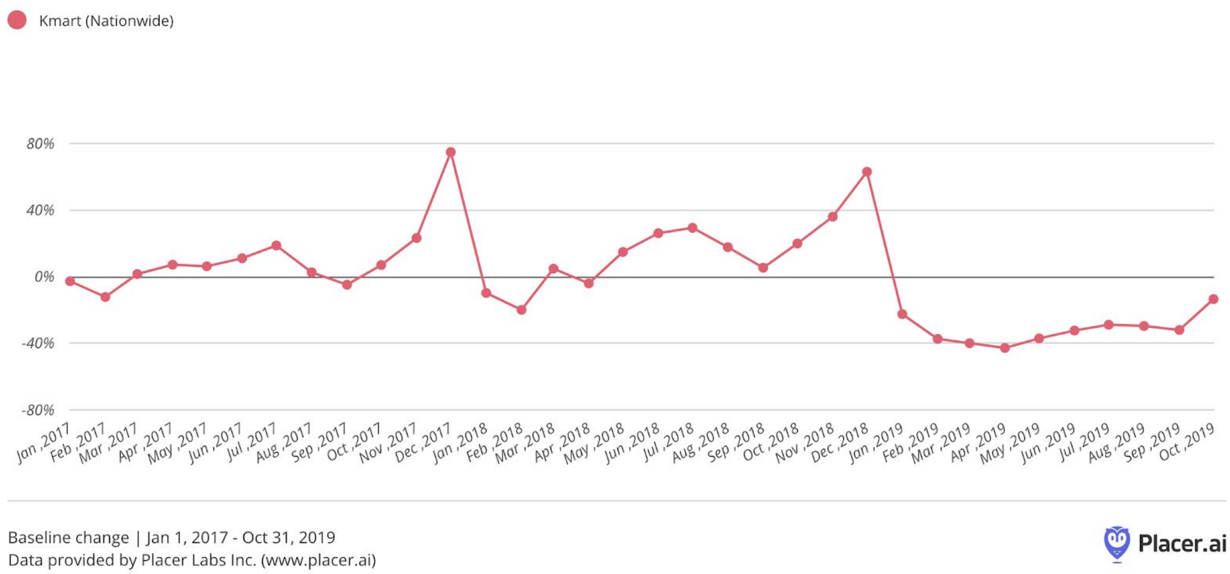
When we hear about a major retailer shuttering a location our immediate reaction is that the 'retail apocalypse' has claimed its latest victim. Yet, one of the biggest things we learned in 2019 is that not all store closures are equal.

Certainly, there are those where the story is fairly cut and dry. Sears and Kmart, both owned by Transform Holdco, are clearly suffering from very real struggles. The post-bankruptcy owner of the two iconic chains has yet to find a clear path to a turnaround, and instead, is continuing to close stores at a rapid pace. And this is clear from the data as well.

Sears has seen a significant drop in visits over the last few years with each month in 2019 seeing fewer visits than the same month in 2018.



And the same holds true for Kmart where declining traffic only reinforces the struggles the brand is facing in creating a product that resonates with core audiences. Measuring both brands compared to their baseline for the period between January 2017 and October 2019 shows that the pace of decline is hastening. Looking at the first ten months of 2019 compared with those same months in 2018, Sears has seen traffic plummet from a monthly average of 2.8% above the baseline to a monthly average of 33.7% below. Kmart has seen an even more precipitous decline from 2.7% above on average in the first ten months of 2018 to 35.2% below in those same months in 2019.

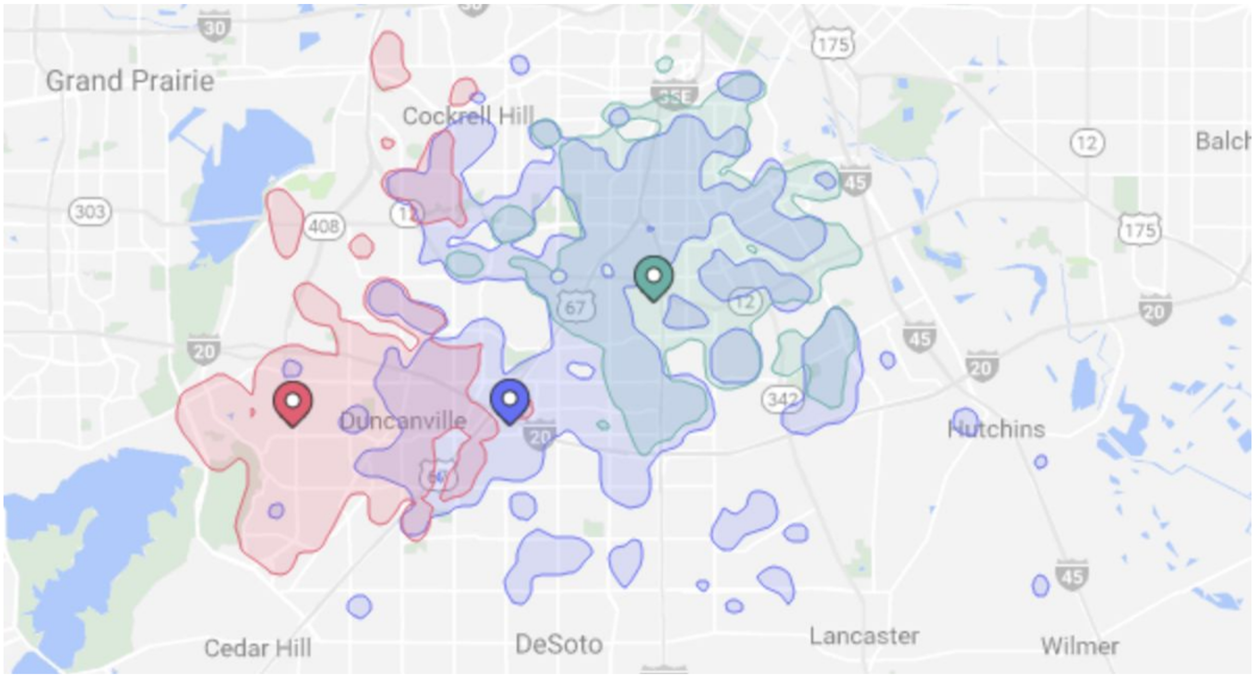


Yet, it is crucial not to combine all closings within the same narrative. Earlier this year, Walmart began closing a number of Walmart Supercenters, leading to concern around the overall health of the company and its growth strategy.

But that data told a very different story. Instead of looking at closures as a negative, Walmart was clearly looking to optimize their retail footprint. Of the two locations analyzed, both properties showed steady traffic leading up the closure bringing into question concerns of underperformance. But a deeper analysis revealed an even more critical takeaway.

These Walmart Supercenter locations were actually cannibalizing visits from other Walmart Supercenters.

Diving into the True Trade Areas of closed stores in Texas and Louisiana showed tremendous overlap with other nearby locations. It became obvious that the focus of these store closures was anything but a negative, in fact, it exemplified the company's powerful ability to optimize their offline activities - a tremendous sign of physical retail efficiency improvement.

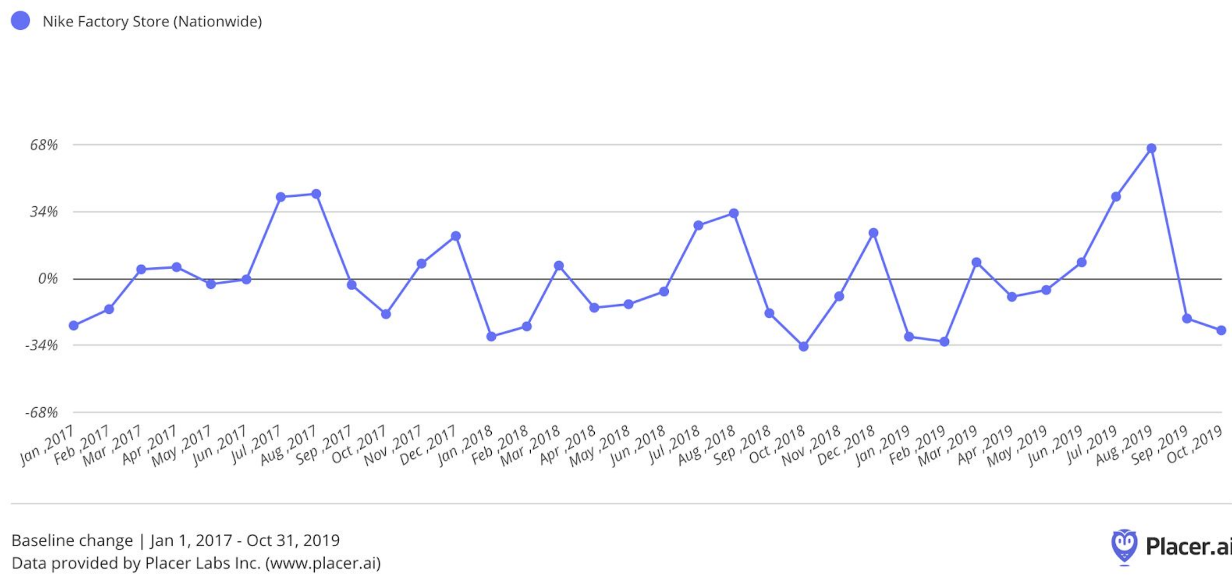


What makes this trend all the more important is that more brands are taking notice. Best Buy notably spoke about the need to optimize its retail footprint and many others could embark upon similar strategies in the near future. The key will be to discern where the closures are signs of trouble and where they indicate strategic vision. A closed store is not always a bad sign, and in some cases, it is the mark of a brand with staying power.

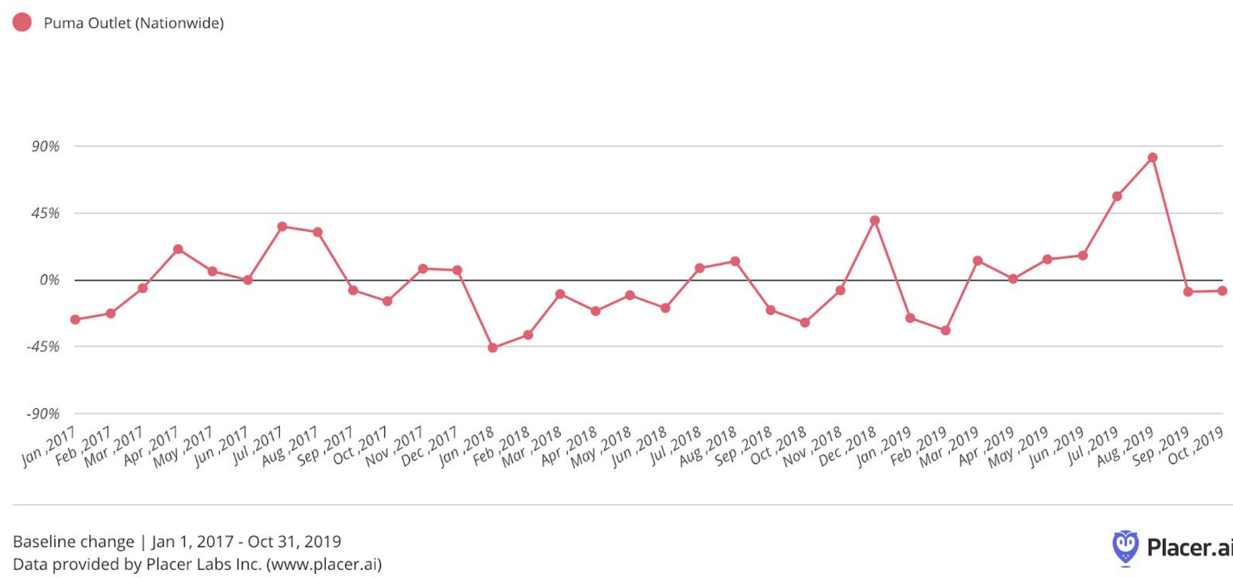
Nic(h)e & New - Filling the Retail Vacuum

With over 9,000 retail locations closing in 2019, there is a clear vacuum that will need to be filled. And there are a range of new elements that may fill the gap from experience-oriented tenants to a greater food presence in shopping centers. But one of the more interesting 2019 trends is a rising number of product-oriented companies that are focusing on expanding their branded retail footprint.

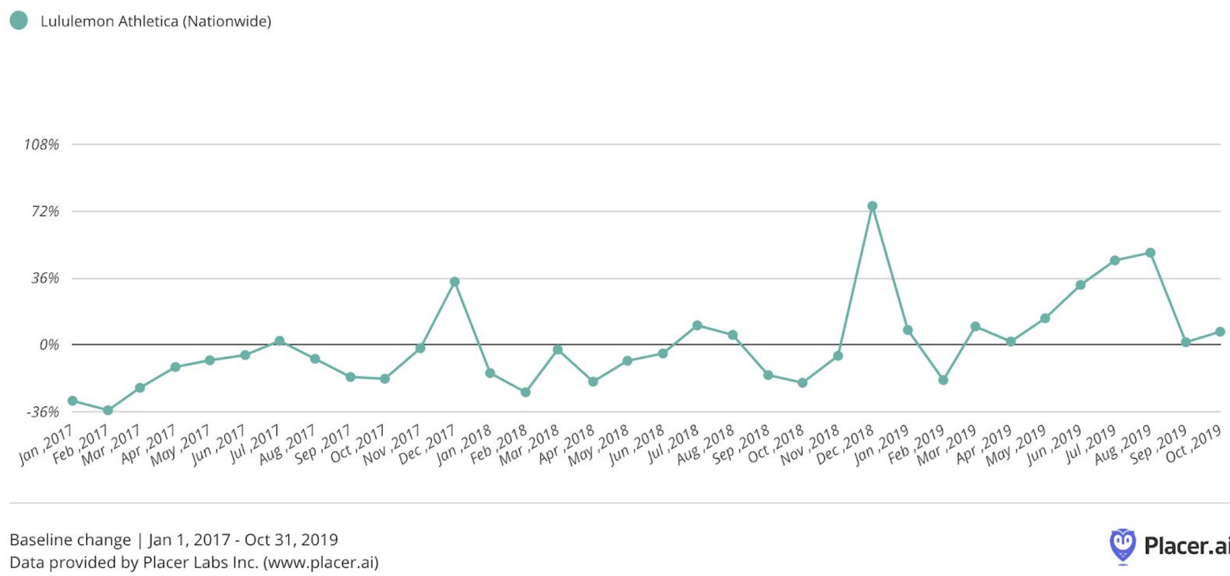
An amazing example comes from Nike, who looks to be building a strategy centered around direct relationships with consumers, offline and online. Since March 2019, the brand has only had one month that showed aYear-over-Year decrease in store visits. And even this ‘drop’ can be more effectively explained by the huge peak in the Back-to-School season that preceded it. Essentially, Nike is recognizing the immense value that comes from being able to develop and deepen direct relationships with consumers.



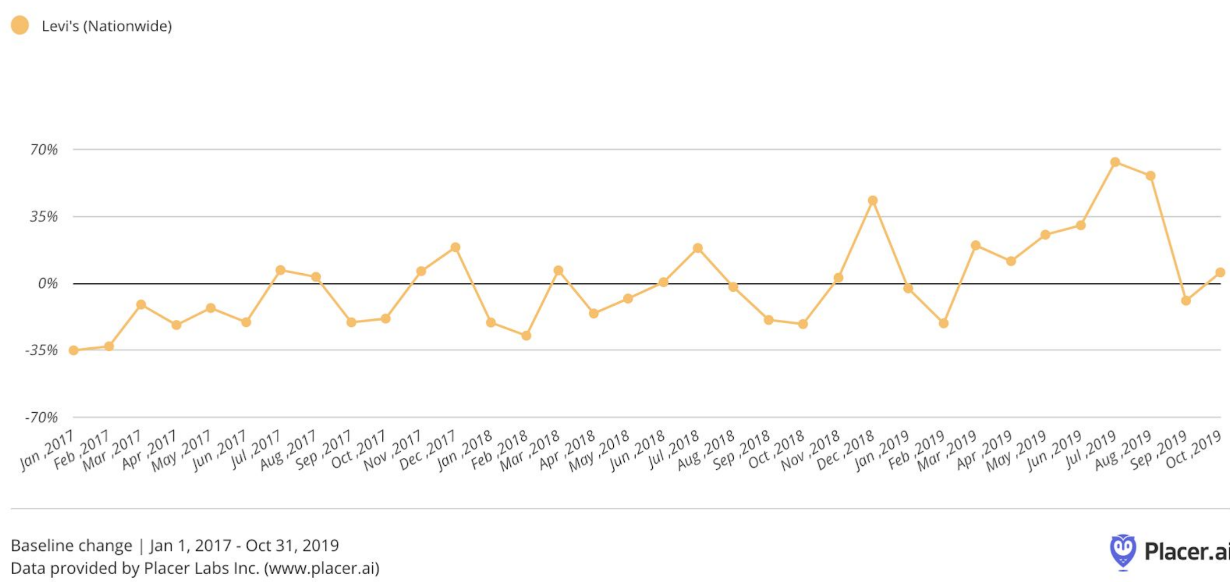
This trend has been felt across the activewear space with several other brands seeing tremendous and consistent in-store growth. Puma also dove into the mix with visits that showed Year-over-Year growth in each month of 2019. The idea here was the same, improve the direct relationship with the consumer in order to drive long term, omnichannel growth.



And of course, the rising guru of the activewear space - lululemon - cannot be left out of the conversation, with significant offline growth powering a global takeover. In the first ten months of 2019, the brand has seen a massive 33.6% increase in visits compared to the same period in 2018. While this is heavily fueled by an increase in stores, it certainly reinforces the growing popularity of the brand. With pushes to do more to attract new audiences, the comprehensive approach could position lululemon to reach even greater heights.



The push isn't only being led by one sector though, with Levi's announcing they'll be [opening 100 new stores] as they move further away from a dependency on a wholesale model and push more into a direct to consumer (DTC) mentality. The takeaway for all of the brands is the same - a new consumer emphasis on a brand relationship is redefining the way product companies approach physical retail. The premium is being placed on the direct consumer relationship, and success will come from those who best develop those relationships.

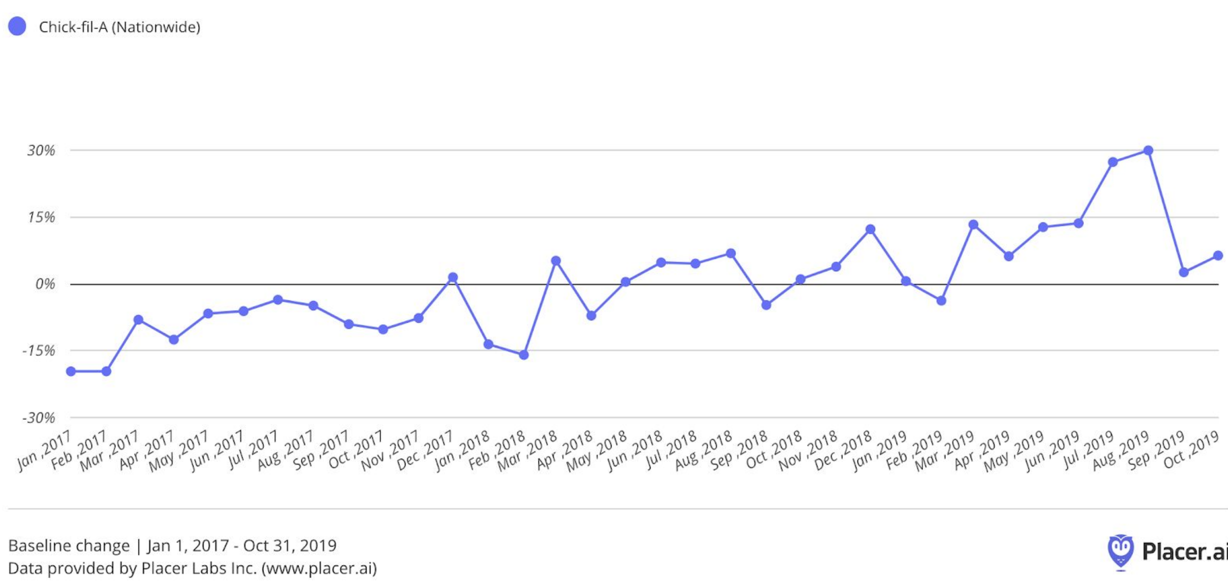


This trend is likely to pick up more steam as a greater number of brands see the value being driven by the aforementioned companies combined with a newer push into offline from online DTC brands. Everlane, Warby Parker, Casper and more have all openly discussed their desire to emphasize a physical retail footprint in order to optimize supply chains, maximize brand, develop stronger customer relationships and tap into the highly converting offline retail experience. With several brands from Disney to Rent The Runway looking to partnerships to bring their retail in-store, the likelihood of more brands diving into an owned, offline presence will only increase.

Kings of QSR - Chicken, 'Holidays', and Veganism

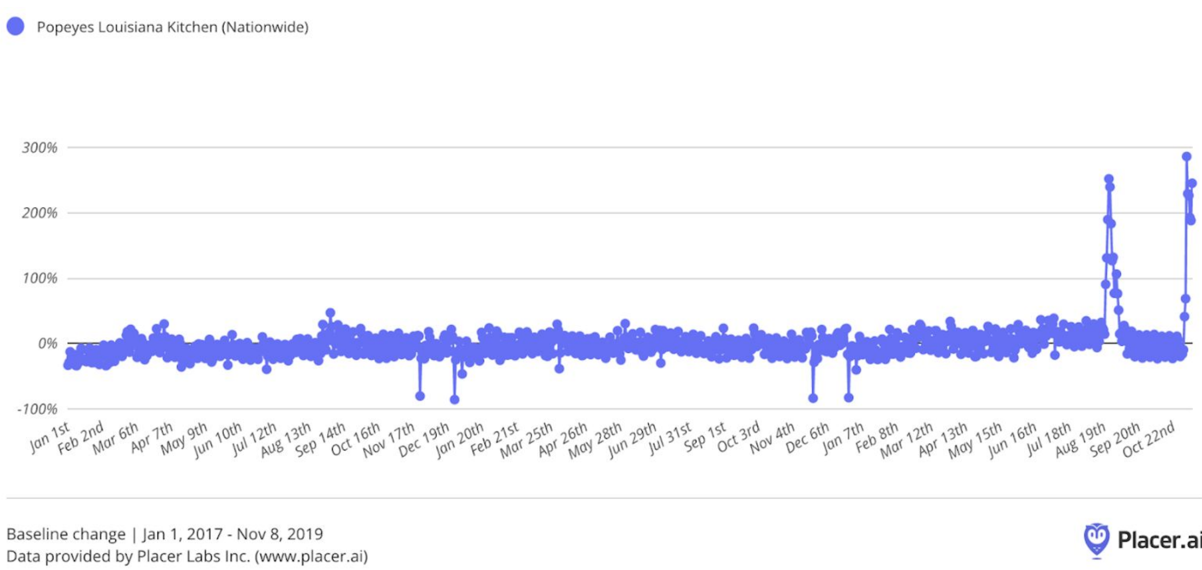
The Fast Casual sector may be suffering, but it would be highly problematic to assume this is affecting the entire QSR space. Several brands had breakout years, while others maintained impressive levels of growth and interest.

The first key QSR trend centered around the country's favorite poultry - chicken. To begin, Chick-fil-A continued its impressive ascent to the top of the QSR mountain with visits that grew 13.0% Year-over-Year when comparing visits through the first 10 months of 2019 to the same period in 2018. Analyzing visits compared to the baseline for the period from January 2017 through October 2019 shows the magnitude of the new heights hit in the summer of 2019. Visits rose 27.3% and 29.9% above the baseline in July and August respectively marking huge new milestones that only reinforce the brand's growing popularity.

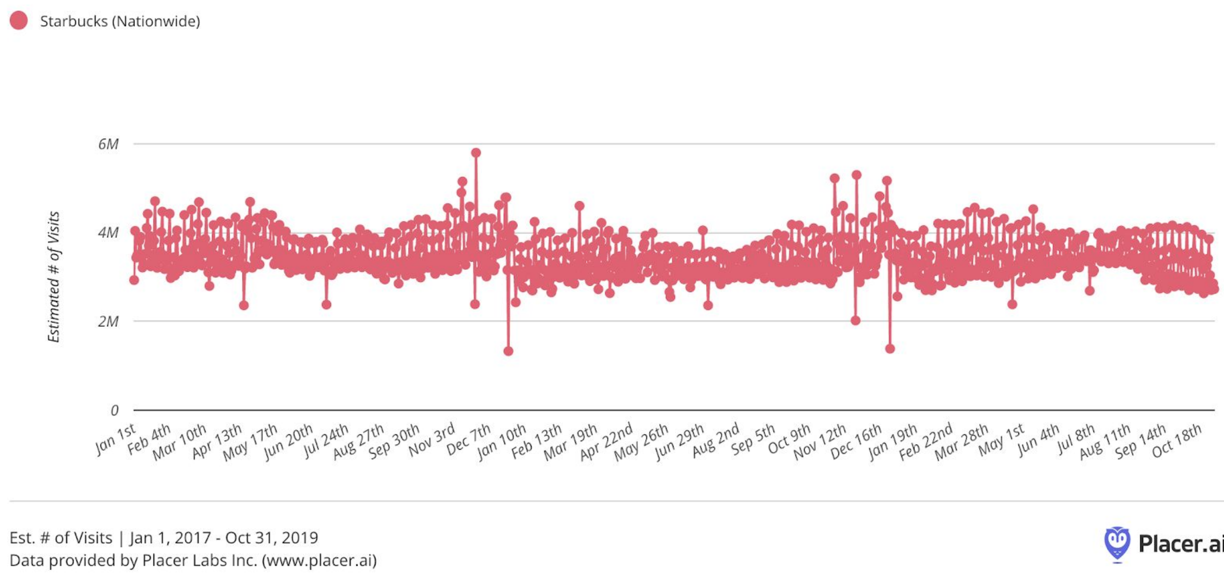


But any focus on chicken forces us to revisit to the QSR event of the year - #ChickenWars. This summer, Popeyes launched a new sandwich that generated tremendous excitement following a social media spat with Chik-fil-A. Yet, the huge outpouring of visits was something that even the greatest chicken sandwich connoisseur could hardly have predicted. Taking the entire period from January 2017 through November 8, 2019 saw the chain drive visits that created their second-highest visit peak for the entire period, and not by a small margin. Two of the days in question rose over 200% above the baseline for the period.

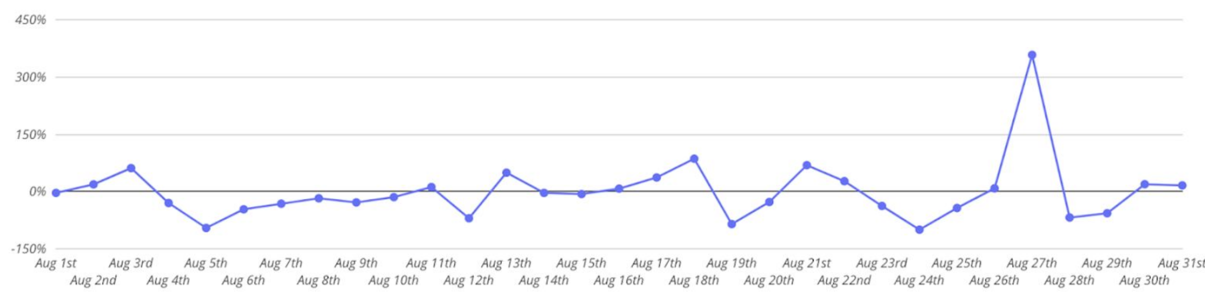
And the only reason they weren't the largest peak for the period? Because a few months later, after the sandwich quickly ran out in August, the product was re-introduced to even greater fanfare. The new peak in early November was a day that rose 286.0% above the baseline. This mass excitement puts on display the ability of brands to create powerful experiences that drive heavy offline interest. The results are unique peaks that rise above seasonality and display the powerful capacity to generate manufactured interest.



As more brands attempt to recreate this magic, there is one that has proven capable of doing it throughout the calendar year - Starbucks. The brand has shown an ongoing capacity to leverage interesting deals and offers to create demand in periods of otherwise lesser brand affinity. From a Tye Dye Frappuccino to convert summer visits to an earlier than expected Pumpkin Spice Latte to herald in the brand's high period a few months early. Starbucks has shown a mastery of finding the right mix of gimmick and value to own the calendar in a way most companies could only dream of. The 'own the calendar' mentality is hugely important in that it pushes brands to reject the rules of seasonality and strengthen period of weakness, ultimately maximizing their retail footprint.



The nexus point for the power of the chicken product releases and the created holiday find their voice in the rise of Vegan products within top QSR brands. Forgetting that nearly every top player has announced a plan to roll out some version of a plant-based product line, there has been a clear consumer response justifying the moves. Apart from these roll-outs, where the incremental progress is more difficult to see on a day-by-day basis, KFC did create an opportunity to measure the impact with their one-day vegan nugget offer at a single location in Georgia. The result was impressive with the single location seeing almost triple the visits of a strong, regular day.

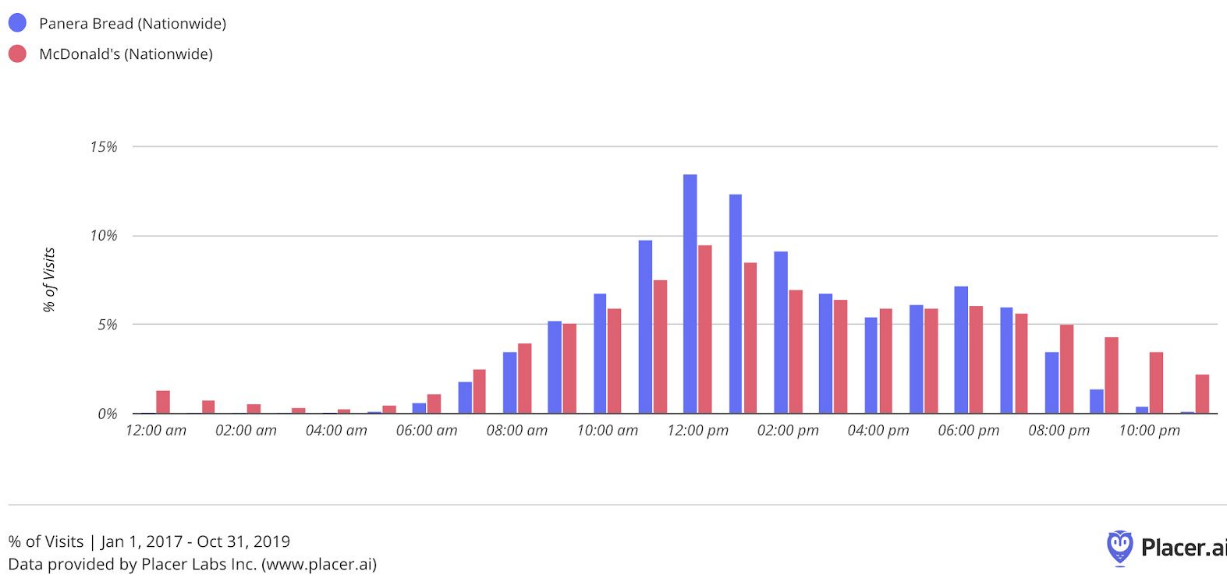


Between concerns around the Fast Casual sector and a greater push to bring more food into the mall and shopping center experience, the wider QSR sector could be in for a banner 2020. The elements that will differentiate success will include everything from the ‘lightning in a bottle’ moments that powered Popeyes, to vegan alternatives, to strategic approaches that aim to drive year-round value.

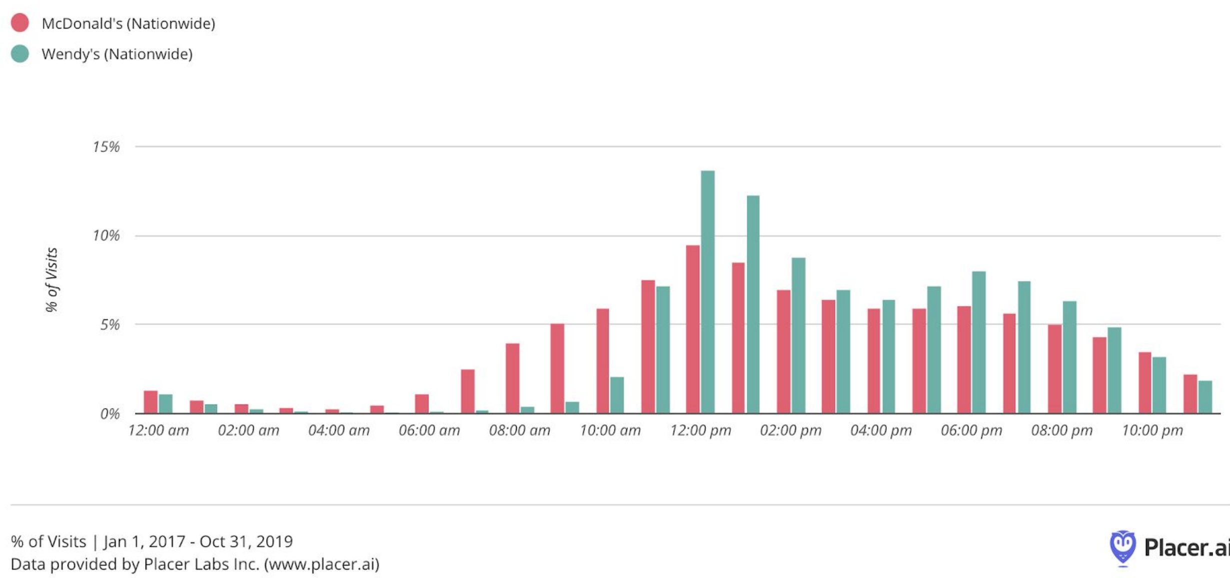
Maximized Retail Footprints

The final key trend is among the most important and the most widely applicable - maximizing retail footprints. While this may seem obvious, the tactics being currently deployed are demonstrating a more advanced and strategic grasp of this concept. To explain it, one need not look further than breakfast.

Earlier this year, both [Wendy's]() and [Panera]() announced moves to expand their menus to more effectively tackle areas that weren't within their current core strengths. To show the potential, we compared both brands to McDonald's - a brand that is exceptionally strong at driving visits throughout the day. [Comparing Panera to McDonald's]() shows the immense potential a strong dinner menu could have for Panera. Panera has strong visits in the morning, but a huge lunch peak shows the value that can be attained if the brand can succeed in driving more evening visits. Essentially, the locations are open all day, and by driving more consistent visits throughout the day, they can improve the value created off of these fixed costs.

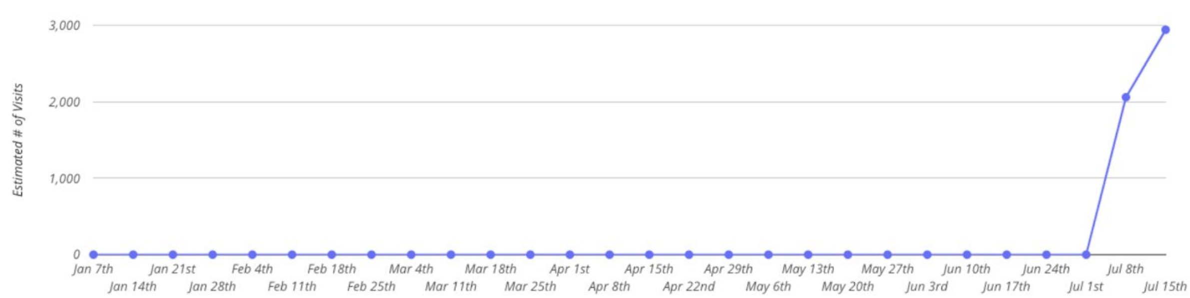


The same is true in the other direction for Wendy's. Again comparing to McDonald's, it's clear that [Wendy's could see a significant overall traffic boost]() by taking advantage of the morning hours.

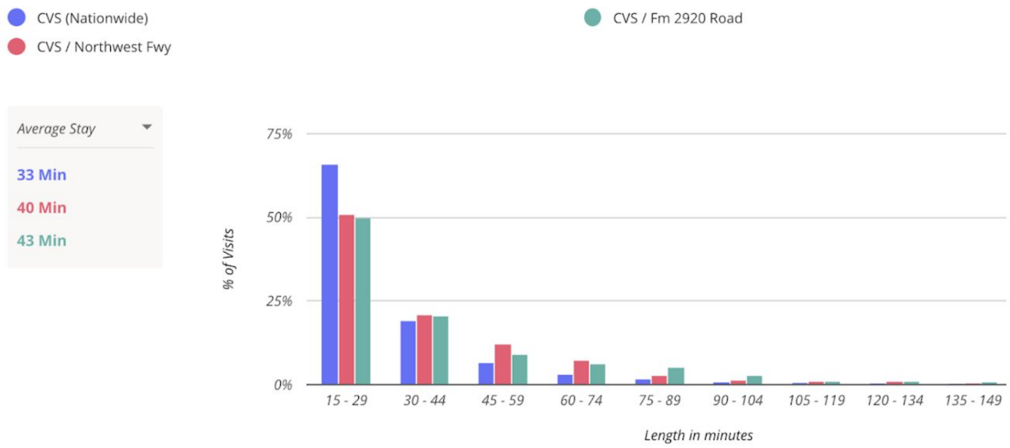


And this is a key component of the efficiency perspective that drives maximizing a retail footprint - brands' potential to s pull the most value out of a space that they pay for throughout the day. Starbucks, as discussed above, shows a laudable ability to buck seasonality trends to minimize the impact of weaker periods. The same approach holds here, but by looking at the micro-seasonality of visits by the time of day.

Another example of this can be seen in the experiential retail pushes being led by brands like lululemon and CVS. The former [opened a Chicago location] that would not only sell clothes, but also provide ample space for classes and even a restaurant for a post-workout recharge. The move didn't just lead to a [surge of visits], but an ability to drive visits during normally off-peak hours by focusing on scheduled services - in this case, classes.



The same concept drove a powerful idea for CVS as well, when the [brand launched Health Hubs]. By analyzing the performance of the initial pilot locations for the CVS Health Hubs, data showed that [visits were lasting longer] and taking place during periods that didn't align with the national average. This means CVS was driving more visits and driving them during quieter periods. The result is a new revenue stream that also empowers existing revenue streams to be augmented by those off-peak visits. Imagine the individual coming in for a scheduled appointment in the late morning also deciding to buy a new toothbrush or shampoo at the same time. It's a force multiplier that brings value across the CVS spectrum.



Redefining the Retail Apocalypse Narrative

To be clear, most in the world of retail and retail real estate long ago rejected the idea of a retail apocalypse that would end the dominance of stores in favor of online options. Yet, there was certainly some truth behind the headline-catching terminology.

Offline retail, like many other sectors, is being redefined by a new online-offline balance. But the result is anything but a post-apocalyptic scenario, and instead is a reimagined sector that includes new players and prioritizes new strategies. Interestingly, 2020 will likely serve as a critical stage in this transformation that will allow the sectors' new giants to emerge and establish the defining approaches to success in the 2020s.

How much of an impact will these five trends have? Who will utilize them best? What are the new emerging trends that will define 2021? [Sign up for free](#) at [Placer.ai](#) to find out.